

Supply takeout important data

Difference between A grade and B grade play

A grade

- has strong volatility and tight spreads
- has exponentially progressive HLs
- has strong momentum supply takeout
- has strong ticking action on absorption
- has no DD past flip zone
- has strong wall drop ahead of structure
- has clean symmetric even highs
- has clearout of stops in middle

- : liquidity
- : HLs
- : momentum
- : ticking speed
- : draw down
- : drop ahead
- : symmetry
- : clearout

B grade

- has low volatility and often wide spreads
- has even or slightly lower lows
- has slower stalling supply takeout
- has slow or idle ticking on supply test
- has some DD up to 50% of last leg
- has weaker or choppy down trend ahead
- has uneven supply and highs distribution
- does not have clearout of lows

Market presence:

- supply takeouts are present in most very liquid markets such as : FX, futures, gold, and high cap equities.
- in lower or mid liquid markets they are less present and less reliable

Alert use:

- alerts have to be used to properly play the supply takeout. Trader has to keep rotating between charts every 30 min to see if any structure has potential to develop into play (needs at least 2 highs already in). If it is good potential then alert should be placed near the supply (or demand for short play), so then trader tracks development of price after each another retest of supply.

TP:

- for take profit target 1:1 structural depth target should be used or more, best way is to scale 30% of on each pop higher rather than scaling all out in single move.
- 1:1: means for example if H/L distance is 10 pips average in structure, then TP should be aprox that.

SL:

- stop loss should never be more than 50 or 60% of last H/L leg distance because most setups that have larger DD than that will eventually fail
- finger ready to cut the loss once the supply takeout entry is placed

Momentum move:

- big portion of A grade plays have strong momentum single candle takeout of supply
- after takeout price should not come all the way back within 1 candle next minute , otherwise that could signal too big counter order flow taking place and stop hunt, on proper supply takeout price should keep climbing some and then only after 10 minutes or more coming back to retest flip zone

Clearout:

- clearout has to be targeted in order to be valid signal, that means strong drop candle going from middle of structure where there are no strong supply / demand H/L points, showing that the move was initiated from shark pushing market order intentionally rather than whole market action doing it

Behaviour change:

- behaviour change is important component of supply takeout, its not always present but if it is it adds to edge. If behaviour is consistent few times (for example supply rejecting price 3 times with same speed and strenght) but then it all of sudden changes on same price level (for example 4th time price retests supply it no longer rejects, it starts to stall there for few minutes) that can indicate absorption and targeted attempt.
- also tracking highs and lows if they are symmetrically progressing and all of sudden that clearly changes it could point towards rotation.

Numbers of highs / lows in structure:

- number of highs correlates with quality of play usually. The higher the number of highs / lows in structure the higher quality the play is as the denser the supply will be. Avoid structures with only 2 highs in them, those are often lower grade plays.

Extended drop ahead of structure:

- best supply takeout plays are often established after extended long lasting drop without much of pullbacks (wall drop), try focus on those as much as possible, especially if there is high volume stuff on last parabolic extended candle where structure started to develop (futures especially).